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Canada. Banking and Commerce, Standing  
Committee on (Senate)  
Second Session—Twenty-fourth Parliament  
1959

# THE SENATE OF CANADA



## PROCEEDINGS

OF THE

STANDING COMMITTEE ON

# BANKING AND COMMERCE

To whom was referred the Bill C-28, intituled: An Act to amend  
the National Housing Act, 1954.

—  
The Honourable **SALTER A. HAYDEN**, *Chairman*

—  
THURSDAY, MARCH 5, 1959

### WITNESSES:

Mr. Stewart Bates, President of the Central Mortgage and Housing Corporation;

Mr. A. D. Wilson, General Counsel of the Central Mortgage and Housing Corporation.

### REPORT OF THE COMMITTEE

#### Appendix

Details of Dwellings built under the Small Homes Loans Programme—  
National Housing Act, 1958.

THE QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1959

## BANKING AND COMMERCE

The Honourable Salter Adrian Hayden, Chairman

### The Honourable Senators

|                                 |             |                           |
|---------------------------------|-------------|---------------------------|
| * Aseltine                      | Golding     | Pouliot                   |
| Baird                           | Gouin       | Power                     |
| Beaubien                        | Haig        | Pratt                     |
| Bois                            | Hardy       | Quinn                     |
| Bouffard                        | Hayden      | Reid                      |
| Brunt                           | Horner      | Robertson                 |
| Burchill                        | Howard      | Roebuck                   |
| Campbell                        | Hugessen    | Taylor ( <i>Norfolk</i> ) |
| Connolly ( <i>Ottawa West</i> ) | Isnor       | Thorvaldson               |
| Crerar                          | Kinley      | Turgeon                   |
| Croll                           | Lambert     | Vaillancourt              |
| Davies                          | Leonard     | Vien                      |
| Dessureault                     | * Macdonald | Wall                      |
| Emerson                         | McDonald    | White                     |
| Euler                           | McKeen      | Wilson                    |
| Farquhar                        | McLean      | Woodrow—50.               |
| Farris                          | Monette     |                           |
| Gershaw                         | Paterson    |                           |

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*Ex officio member.*

(Quorum 9)

## ORDER OF REFERENCE

Extract from the Minutes of Proceedings of the Senate for Wednesday, March 4, 1959.

Pursuant to the Order of the Day, the Honourable Senator Thorvaldson moved, seconded by the Honourable Senator Pearson, that the Bill C-28, intituled: "An Act to amend the National Housing Act, 1954", be read the second time.

After debate—

The Honourable Senator Croll moved, seconded by the Honourable Senator Burchill, that further debate on the motion be adjourned until tomorrow.

The question being put on the motion, it was—

Resolved in the affirmative.

*Later this day:*

*By unanimous consent,*

The Senate reverted to this Order and the motion of the Honourable Senator Croll, seconded by the Honourable Senator Burchill, was rescinded.

The question was then put on the motion for the second reading of the Bill, and it was—

Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Aseltine moved, seconded by the Honourable Senator Emerson, that the Bill be referred to the Standing Committee on Banking and Commerce.

The question being put on the motion, it was—

Resolved in the affirmative.

J. F. MacNEILL,  
*Clerk of the Senate.*

## REPORT OF THE COMMITTEE

THURSDAY, March 5, 1959.

The Standing Committee on Banking and Commerce to whom was referred the Bill (C-28), intituled: "An Act to amend the National Housing Act, 1954", have in obedience to the order of reference of March, 1959, examined the said Bill and now report the same without any amendment.

All which is respectfully submitted.

SALTER A. HAYDEN,  
*Chairman.*

## MINUTES OF PROCEEDINGS

THURSDAY, March 5, 1959.

Pursuant to adjournment and notice the Standing Committee on Banking and Commerce met this day at 10.30 A.M.

*Present:* The Honourable Senators: Hayden, *Chairman*; Aseltine, Beaubien, Brunt, Burchill, Connolly (*Ottawa West*), Crerar, Dessureault, Golding, Gouin, Haig, Hardy, Horner, Isnor, Kinley, Lambert, Leonard, McDonald, McKeen, Power, Pratt, Reid, Taylor (*Norfolk*), Thorvaldson, Turgeon, Vien and Wall—27.

*In attendance:* Mr. E. Russell Hopkins, Law Clerk and Parliamentary Counsel and the Official Reporters of the Senate.

Bill C-28, An Act to amend the National Housing Act, 1954, was read and considered.

Heard in explanation of the Bill: Mr. S. Bates, President of the Central Mortgage and Housing Corporation; Mr. A. D. Wilson, General Counsel of the Central Mortgage and Housing Corporation.

*Also in attendance but not heard:* Mr. P. S. Secord, Vice-President of the Central Mortgage and Housing Corporation; Mr. H. W. Hignett, Executive Director of the Central Mortgage and Housing Corporation and Mr. K. C. Joynes, Research Administrator of the Central Mortgage and Housing Corporation.

On Motion of the Honourable Senator Haig, seconded by the Honourable Senator Aseltine, it was resolved to report recommending that authority be granted for the printing of 800 copies in English and 200 copies in French of the Committee's proceedings on the said Bill.

At the request of the Honourable Senator Wall, it was agreed that details of dwellings built under the small homes loans programme, National Housing Act, 1957-58, be printed as an appendix to today's proceedings.

On a Motion by the Honourable Senator McKeen, that in the Report of the Committee on the said Bill, it be incorporated, the following recommendation: "That the Government consider making the 100 per cent guarantee available to all insured mortgages under the National Housing Act, retroactively", the Committee divided as follows:

YEAS

7

NAYS

11

The Motion was declared passed in the negative.

On Motion of the Honourable Senator Burchill it was Resolved to report the Bill without any amendment.

At 12.45 p.m. the Committee adjourned to the call of the Chairman.

Attest.

Gerard Lemire,  
*Clerk of the Committee.*





**THE SENATE**  
**STANDING COMMITTEE ON BANKING AND COMMERCE**  
**EVIDENCE**

Ottawa, THURSDAY, March 5, 1959.

The Standing Committee on Banking and Commerce, to whom was referred Bill C-28, an Act to amend the National Housing Act, 1954 met this day at 10.30 a.m.

Senator Hayden in the Chair.

The CHAIRMAN: Ladies and gentlemen, we have a quorum and it is time we started. We have before us Bill C-28, an Act to amend the National Housing Act 1954, and in support of the bill we have Mr. Stewart Bates, who is the President of Central Mortgage and Housing Corporation, and Mr. P. S. Secord, who is Vice-President.

Shall we follow our usual practice and have a general explanation from Mr. Bates?

Agreed.

**Mr. Stewart Bates (President, Central Mortgage and Housing Corporation):**

Mr. Chairman and honourable senators, it is not so long since I had the privilege of being before another Senate Committee, indeed it is only some months ago when the Finance Committee devoted considerable time to the general housing situation, and at that stage you will recall there came from that committee a very comprehensive report on housing. It is the most comprehensive report on housing that we have available in Canada, and in the Corporation we have used it very widely. Its dissemination has been considerable not only in this country but abroad. There has been no other comprehensive review of housing since 1954 till the one made by your Finance Committee under the chairmanship of Senator Hawkins last summer.

I thought perhaps before you would like to look at the details of the present bill you might like to have some review of the activities that have followed from the report and the recommendations made by the Finance Committee last summer. I thought, ladies and gentlemen, that you would be glad to have a short review of what has happened on the activities which the Finance Committee had considered last summer.

We were only made aware last night that we might have to come before you this morning. So, although this presentation has been prepared rather hastily, I do think it contains the record of progress, or lack of progress, on the report you made last summer.

Mr. Chairman, with that short explanation I might proceed to read the prepared statement.

Honourable Senators, between June 5th and July 31st, 1958, the Senate Standing Committee on Finance considered the Annual Report of Central Mortgage and Housing Corporation for the fiscal year ending December 31st, 1957. Under the chairmanship of the late Senator C. G. Hawkins, this Committee issued its report on August 7th, last year.

This report contained a number of recommendations and, with your permission, Mr. Chairman, I should like to make a few observations on some of the work which has been done to implement the suggestions contained in this report.

The first recommendation contained a suggestion that an actuarial study be made of the Mortgage Insurance Fund, with a view to ascertaining the point at which a reduction in the mortgage insurance fee might be warranted.

As at the 31st December, 1958, the assets of the Mortgage Insurance Fund were \$45,680,766 covering mortgage insurance in force of approximately \$2,100,000,000 together with Corporation Direct insurable loans amounting to approximately \$560,000,000. To date, the claims on the Mortgage Insurance Fund have only amounted to \$99,082.30 involving ten properties. There are also three claims pending. That is since 1954.

Senator BRUNT: May I ask, has any loss been incurred?

Mr. BATES: No sir.

Senator LEONARD: In other words, the claims, which amounted to \$99,000 have been realized out of the properties themselves? Is that the situation?

Mr. BATES: That is so. Except, of course, there is always a qualification: when we realize on a property we make another mortgage loan for a further 25 years. I do not know what will happen to those 10 particular properties in the next 25 years.

Senator BRUNT: But up to the present time there has been no loss?

Mr. BATES: No.

Senator WALL: The relationship of \$45 million to \$2,660,000,000 is about 1.7 per cent. How does that compare with similar situations with lending institutions and insurance companies? Is there any basis of comparison?

Mr. BATES: Well, gentlemen, some of you have had more experience in trust and insurance companies than I have. I think you will admit that in terms of reserve, this is a very small amount—\$45 million against a liability of this magnitude.

After all, gentlemen, we have in the corporation some 7,000 loans outstanding in the area around Malton; in other words, there is a liability in the Malton area alone of some \$70 million. I do not wish to mention the other word that goes with Malton—you appreciate the point I am trying to make. As another illustration, there is in the area known as Elliott Lake some 1,700 loans outstanding. That is a community, as you know, with very substantial contracts to the year 1962, and thereafter there is some uncertainty.

I do not think the mortgage fund was ever set up to meet peculiar local conditions of this kind. It would not take a very substantial reduction in the gross national product, with \$2½ billion outstanding, to show that a total fund of \$45 million represents a very small security.

Senator KINLEY: But after all, the loans are widely distributed.

Mr. BATES: Yes sir.

Senator HORNER: Have you any information on these mortgages that have to be financed, as to what type of house they are on, whether high priced or moderately priced?

Mr. BATES: You understand that that on the insured mortgages the loans have been made by approved lenders, and from time to time an approved lender and an individual borrower may have entered into an individual deal. The borrower may get into temporary difficulties—I would not know how many times this happens—and an adjustment is made between the borrower and the approved lender, of which we have no record. We only get a record when it comes to the final point of desperation when the approved lender has foreclosed on the property; then it comes to us. But these adjustments are going on as some of you hon. gentlemen know, continuously between borrowers and lenders.

Senator BARBOUR: Were most of these mortgages made in late years?



Mr. BATES: Yes; I think most of them have been made in the last eight years. I don't remember when we got into loans; would it be 1951? It is before my time.

Senator BARBOUR: Not too much has been paid on a lot of the mortgages?

Mr. BATES: No, sir.

Senator KINLEY: How, if at all, are you affected by the Avro situation?

Mr. BATES: Most of the mortgages are made by approved lenders, because in the area concerned we are looking at territories like Georgetown and approved communities in the Malton area, where the workers in this particular plant live; and many of them are approved loans made by borrowers from mortgage companies.

Senator LAMBERT: There are references to this and the next paragraph.

Mr. BATES: The insurance fees charged and the growing assets of the fund have been closely studied by the corporation's Management Consultants and corporation staff. It has been concluded that, notwithstanding the low level of claims to date, even a moderate change in economic circumstances could cause a serious and rapid depletion of the mortgage insurance fund. It is possible that the continued growth of the assets of the mortgage insurance fund may permit a reduction of the insurance fee at some future date.

In other words, gentlemen, our recommendation was that we should hold to the status quo until our experience became a little wider; and I think this was very much the sentiment which was expressed at the Senate committee last summer—that we should continue with our present experience until it had begun to give us some clear indication of the probabilities ahead. In short, we have followed the suggestions made here, and have made these recommendations to Government, that we continue the current situation as is.

The second recommendation contained in the report referred to the constant study of the possibility of mortgage insurance on existing residential real estate. The corporation has acquired considerable data on this subject and if, and when, the Government decides that it is appropriate to permit mortgage insurance on existing real estate, the corporation will be fully equipped to deal with this extension of its activities.

Senator REID: What do you mean by "existing" real estate?

Mr. BATES: Used houses, secondhand houses. You will recall that the recommendation of the Senate committee last year was that the time was not quite propitious, funds were not adequate to move into the existing real estate field, and you recommended that the corporation should continue a full study. In every city in the country we try to get a record of all existing real estate transactions that are going on from month to month, so that should the day arrive in which the Government wishes to move into existing real estate, we will have the basic information, and our appraisers and others will have familiarized themselves with the highly complex problem of appraising existing real estate, as distinguished from new buildings. In other words, we are trying to train appraisers to be prepared should a day come when the Government thinks it propitious and proper to move into the existing housing business.

The Senate Committee did not feel that a recommendation for an amendment to the National Housing Act permitting the use of federal funds for financing university students' dormitories was merited.

Senator BRUNT: Hear, hear.

Mr. BATES: This subject was again raised in the House of Commons last week when the present bill was being debated. The Minister of Public Works, expressing the view of the Government, stated that this matter does not come within the purposes for which the National Housing Act was passed. In other

words, the Government was accepting the recommendation of the committee last summer that for the present at least and so long as the University Grants Committee was making funds available for dormitories, the federal Government should stay out.

In its report, the Committee expressed the hope that the fullest possible resources of the Corporation would be directed towards the encouragement of the provision of low-cost homes, the expansion of low rental accommodation and the raising of standards of construction in the remote areas. These are three fields in which the Corporation is vitally interested.

In August of last year, the Corporation produced plans for a minimum house, suitable for construction in small communities and remote areas. This plan and an accompanying leaflet was given the widest publicity. Following this, in conjunction with Canadian architects, eight additional plans for small homes have been produced. These homes are suitable for construction in both rural and urban areas.

Senator PEARSON: What was the value of those small homes?

Mr. BATES: I believe the maximum was \$9,000, and this was a figure which the honourable senators recommended to use last year.

Senator GOUIN: Would that include the land?

Mr. BATES: No.

Senator BAIRD: These were not finished houses, were they? They were sort of do-it-yourself houses?

Mr. BATES: No, these were all completed houses. You asked us to produce some low-priced houses and we have done so, and there is a booklet available now to the Canadian public showing these small houses.

Senator PRATT: You said the maximum was \$9,000. What was the range of value down?

Mr. BATES: Some went as low as \$5,000, the value of the houses themselves.

Senator PRATT: That was the range of value, from \$9,000 to \$5,000?

Mr. BATES: Yes. They were all small houses, all under 900 square feet.

Senator PEARSON: Those were approved plans?

Mr. BATES: Yes, some designed by architects. Some were very attractive, but small. The booklets with the whole group will be available for the public very shortly. I just wanted to let you know we had followed up your recommendation on small houses, and will continue to do so.

Senator McDONALD: What kind of a reception are you getting with these?

Mr. BATES: We have had applications for specifications on these, I would think for some 200; that is, people sending in ten dollars for the detailed plans. This is very satisfactory considering that we only got these booklets out in the very late fall, just before the winter; I think this is quite a satisfactory result.

Senator KINLEY: Does that price include the land?

Mr. BATES: No, sir. It depends where you are building. Land is very expensive in some places, and not so in others.

Secondly, to acquaint mayors and reeves of small municipalities—this was your second recommendation here—with the facilities available under the National Housing Act, the corporation's branch managers throughout the country have visited the majority of municipalities with populations down to 1,500. It is our intention to extend this work to even smaller communities.

In other words, our staff have fairly well covered the territory, talking to mayors and others, outlining the facilities under the National Housing Act,

and of course bringing to their attention particularly the small home loans. We have also worked with the weekly editors, Quebec and elsewhere; and I think if any of you gentlemen have looked at weekly newspapers you will have noticed in the last six months the increase in the number of small houses being described in the local weeklies.

Senator PRATT: You say you have visited the majority of municipalities with populations down to 1,500. Have you confined it only to municipal government?

Mr. BATES: No, we have tried to go in anywhere where there is any kind of an organization we could speak to, even if it was a weekly newspaper editor.

Senator PRATT: But if 1,000 or 2,000 people had no municipal government, they would not have the same opportunity of reaching out for these services, would they?

Mr. BATES: No, but there may have been a local banker who would talk about what he would do locally about encouraging N.H.A. housing.

Senator FERGUSON: When the visits are made do they also point out services for older citizens? They do not limit the approach to the minimum houses?

Mr. BATES: Yes. As we explained to the senators last year we brought in every branch manager here to Ottawa for six weeks trying to make him the Government representative in his locality, able to talk of the National Housing Act in all its aspects, whether it was old age, federal-provincial, or anything else.

Senator FERGUSON: Yes, I know they may be able to do it, but do they do it? Do they acquaint people with these possibilities?

Mr. BATES: Well, as I say, when we got the recommendation here last August we started them out on the road. Now, there have not been so many out on the road in the past two months. We will repeat this performance when the roads open again. We will have them right across the country. For example, we have two all down the Quebec peninsula talking. I don't know if there are any results, but they are talking to them about the National Housing Act. No one ever talked the National Housing Act in the Gaspé peninsula before. We have had two representatives since we met you last. This is the kind of thing you wanted to do, and that we wanted to do.

The main efforts of the corporation, during 1958, were directed toward implementing the Government Small Homes Loan programme to provide lower-cost housing for home-ownership and low-rental accommodation for low-income families. During the course of 1958 the corporation made loans on 28,669 small homes for a total amount in excess of \$304,000,000. Almost one in every four of these small homes was built in a smaller centre or a rural area.

I think this is a little better than we expected, because they are not really growing areas.

In addition, a further 3,271 direct loans were made totalling \$35,000,000 to individual home-owner applicants in smaller centres.

With the full support of the Corporation, the National House Builders Association is also continuing work on the production of a low cost house. Demonstration houses of this type have already been built in several cities.

During 1958, loans totalling \$50,000,000 were made to limited dividend housing corporations for 6,679 low rental dwelling units for low income families, of which 1,450 units were specifically designed for elderly persons. In addition, the corporation entered into agreements with provincial Governments and municipalities to provide 1,815 low rental units.



Senator CRERAR: What kind of a mortgage do you have on that type of housing?

Mr. BATES: These are primarily 90 per cent loans made at a low interest rate, 4½ per cent.

Senator CRERAR: Do you figure that is sufficient protection for the Corporation?

Mr. BATES: Yes, because limited dividend companies are fairly stringently controlled. Their books are reviewed by us, and their costs are reviewed during construction, and their tenants also are reviewed by us. And then, Senator Crerar, their return is limited to a 5 per cent dividend.

Senator CRERAR: You keep a pretty close inspection of these limited dividend companies?

Mr. BATES: That is so.

Senator KINLEY: And are they allowed to provide for a 10 per cent depreciation?

Mr. BATES: It depends. They get a loan extending over 40 years. To ensure that the benefits of this low rental accommodation accrued to families of low income, the Corporation adapted a more restrictive formula, during 1958, toward the incomes eligible for entry into these projects. Previously, rentals had been calculated in relation to the 'lower half' income level of the community. In July, 1958, this formula was changed to the 'lower third' income level. The Finance Committee recommended to us during discussions last year that we should go down to the lower one-third rather than the lower-half. In other words since then we have followed your recommendations with Government approval. May I say that if the project is so designed that those people in the lower third cannot qualify to become tenants of these apartments we do not approve of the scheme, and so the contractors have to take their plans back, and get it down to the size and cost suitable to the lower third income group.

Senator CRERAR: Do these limited dividend companies set up any reserve against a possible loss?

Mr. BATES: Yes they do.

Senator CRERAR: Perhaps I fail to make myself clear. A limited dividend corporation is limited to a return of 5 per cent on the money invested. Does that corporation set up any reserves against possible losses in the future?

Mr. BATES: Against a normal depreciation and wear and tear and so forth, yes. There is no secret reserve for profit.

Senator CRERAR: Suppose that a serious unemployment situation was to arise, as might happen in the case of a serious recession in business, and the tenants would be unable to continue payment of their rent and losses might accrue to the owners. What I am trying to find out is, do these limited dividend corporations set up any independent reserves against that possibility?

Mr. BATES: I think you understand, Senator Crerar that limited dividend corporations operate rental accommodation. It is not home-ownership. It is low income rental people who are in there. But to my knowledge there is no particular fund set aside to take care of loss of revenue through vacancies or other income losses.

Senator BRUNT: Is it not a fact that this relates to apartment houses that are built and rented and not sold so that if you run into a recession and the tenant does not pay there comes a point when he is moved out and the owner endeavours to get a tenant who can pay the rent. This does not apply to houses that are sold but rather to apartment buildings that are rented. Possibly

what Senator Crerar means is the owner of the apartment house allowed to set up a reserve that would protect him for loss of rentals.

Mr. BATES: No, he is not. He is allowed a normal reserve for wear and tear and depreciation.

Senator KINLEY: And the Corporation owns the house because the contractor borrowed 90 per cent of the cost to build it.

Mr. BATES: No, we do not own the house, but if anything goes wrong we can take it over.

Senator HAIG: These limited dividend houses are usually built by a group of people, let us say for instance 25 Scotsmen get together to build one of these. A few of their countrymen may have considerable amounts of money and they decide to go into this and provide accommodation for their compatriots. They say we will build a block and rent them to our countrymen at low rentals, and 5 per cent return on our money will be a fair return, and into the bargain we will be doing a good thing for our own people. That type of housing is scattered all over Winnipeg. There are houses tenanted by Jewish people, and by other nationalities who have gotten together and built this type of accommodation. Perhaps a few men of that nationality will supply the necessary money. Now, I do not think the Corporation takes any risk at all in the type of housing. Where the Corporation takes risks is in the construction of a whole street of houses that are selling at \$14,000 to \$15,000 a piece and somebody buys those. To my mind those are the ones you take the risk on.

Senator CRERAR: You may be quite right, but what I have in mind is this: if conditions arose, say an extremely bad recession like the 1930's, and you had a block of low rental houses and the tenants were unable to pay their rent. First I want to know does the limited dividend corporation establish any reserve against that contingency so that if the Housing Corporation has to take it over, as Mr. Bates said they could do, and they cannot rent those apartments have they a general reserve to fall back on? Am I right in that?

Mr. BATES: Yes. There is no reserve permitted to them to take care of this kind of risk. On the other hand these houses are very low rental houses and if someone cannot pay the rent no doubt there comes a point when he gets put out and in any community there are thousands of people ready to go into these \$60, \$70 a month apartments, so they will be fully occupied when many others are not should there be a downturn in business, and for this reason we have not felt it necessary to set up any reserves.

Senator LAMBERT: Does the Corporation recognize the possibility of advancing rates of rentals because of inflation? Senator Crerar is talking about a deflation period similar to the 1930's. I think the problem would be to keep rentals at the level they are at now.

Mr. BATES: Yes. This is one of the difficulties that we meet up with. If there is a limited dividend project in some area which let us say was built in 1951 at the costs of that day, and the same proprietor comes along today to build an identical unit his rentals are going to be very much higher, and he does not like, as an owner, to be in the situation of owning two adjacent properties with perhaps a \$10 a month differential in rentals and he is inclined to come to us and say let us split the difference. This is a very sensible sort of suggestion, and we have to look at each individual case according to its good sense or otherwise.

Senator BEAUBIEN: Do you mean split the difference with the tenant, so that he can keep the tenant there?

Mr. BATES: If you have two properties, one with a rent of \$75 and the one next door with a rent of \$65, because it was built a few years earlier, and



the two projects are identical, the entrepreneur who is administering both does not like this differential. He makes the recommendation that we raise one \$2 or \$3 and lower the other a little bit. This is not a very easy proposition for us to accept, because we have in each case an agreement setting out the amount payable per month for 40 years.

Senator BRUNT: If you raised the rental on the older building, would not that throw out your 5 per cent figure?

Mr. BATES: Yes, it would.

The CHAIRMAN: And if you lower the other one it would interfere with the percentage?

Mr. BATES: Yes—to put one down and the other up.

Senator BEAUBIEN: Do you find, Mr. Bates, that the people who build these units are very often willing to lower their rents?

Mr. BATES: Since I came to Canada 23 years ago there has never been any question of lowering of rents anywhere; it has been a progressive and continuous rise.

Senator BEAUBIEN: My point is, you say they want to compromise by lowering this rent and increasing that one. I want to know where you find the owners of these units who are willing to raise their rents. I have not found any of them in Winnipeg.

Mr. BATES: You won't find them.

Senator MCKEEN: Is it not so in the case of the man who builds a new building, that he does not lower the rent; he starts out with a lower rate to get his 5 per cent. He makes an agreement, and raises the rent on one unit, but he does not raise it to get more money. In other words, he starts out with a lower rent on one unit, which gives him an equal amount over the two units.

Mr. BATES: We in the corporation have not had much sympathy for this man, because we made contracts in 1951 for a certain rate of interest and rental on the property for so many years. If something happens, and costs go higher, this is not our fault, nor is it his. There may be some juggling he can do with tenants, but we are not very sympathetic towards a suggestion of altering these basic contracts.

In the case of our own property, whether old or new, we have made adjustments because it is our own. But with respect to the outside limited dividend companies, we have been inclined to say to them that they have to sit this one through, though we appreciate the difficulty they are in. When a tenant in the lower income gets up to \$3,800, you may have to put him out and put him into the other building, and leave him there for 10 years.

Senator BARBOUR: That is provided you own both properties.

Mr. BATES: Yes.

The CHAIRMAN: Will you continue?

Mr. BATES: Increased interest in the replacement of sub-standard housing is evident among Canadian municipalities. This was another point referred to in the Senate committee last summer. Since then grants have been made to sixteen cities for urban renewal studies to determine the areas in need of renewal, rehabilitation and conservation and to establish priorities for a redevelopment program.

You will recall, gentlemen, that we cannot initiate these studies; the request must come from the cities themselves. But when we met last year we had only four or five of these studies going on across Canada; now there are 16 cities from St. John's to Victoria who are doing urban renewal studies.

These studies led to urban renewal projects in Halifax, Montreal and Windsor during 1958.

The principal recommendation made in the Senate Report referred to the need for increasing the flow of mortgage funds and stimulating the sale of insured mortgages. Following the recommendation of the Senate Committee on Finance, discussions took place which were attended by officials of the Corporation, the Department of Finance and the Bank of Canada. Discussions were also held with the approved lenders to ascertain their lending intentions for the year 1959.

These discussions resulted in a recommendation being made to the government to amend the National Housing Act in accordance with the Bill which you are considering today.

The intention of the present Bill is to create a greater fluidity in the mortgage market, thereby creating a much greater incentive for private sources to invest their funds in the development of residential construction.

It is Government's firm intention that the position of Central Mortgage and Housing Corporation must essentially continue to remain that of a residual lender. Indeed, it is hoped that the lending position of the Corporation will, if the objectives of this Bill are achieved, diminish in importance.

It has been necessary, of course, for the Government to invest very large sums in house construction during the last two years. This necessity has been brought about by the inability of private lenders to provide the funds necessary to keep residential construction at a sufficiently high level to satisfy demand and, at the same time, ensure adequate work opportunities for those employed in the house-building industry.

Senator CRERAR: Mr. Bates, have you any comment to make as to why private lenders have not been able to provide money for this purpose?

Mr. BATES: You will recall, gentlemen, when we were discussing this aspect last July and August we were forecasting that the private lenders would put out substantially more money in 1958 than they did in 1957. This proved to be right; they put out about twice as much in 1958 as they did in 1957.

So, Senator Crerar, your question really reverts back to the year 1957, which was a year of some stringencies in terms of the flow of funds into mortgages. This was, as you recall, a boom year in other outlets for the approved lenders. It was a major year in investment opportunities in all lines; they were under severe pressure from industrial and commercial borrowers for funds for expansion and development. The rate of interest was substantial in 1957. The interest rate on N.H.A. mortgages was raised in February, 1957 to 6 per cent, at which figure it has stood since. But 6 per cent interest in the spring of 1957 was not sufficiently attractive to the approved lenders for all the other calls that were being made upon them by their regular customers in the midst of a major boom which continued throughout that year. The pressure on the approved lenders went off in the spring of 1958. That is why we thought in this room last fall that the approved lenders should provide substantially more sums for housing than they did in the previous year. And they did; they provided twice as much as they did in 1957.

Senator CRERAR: Would a fixed interest rate operate against people investing in these mortgages?

Mr. BATES: That is something outside my field, senator, but if I were a banker in the year 1958 and I had felt that the fixed interest securities were not a desirable thing, I would not have doubled my investment in mortgages, as these approved lenders did in 1958. So I do not think that they would have been too fearful in 1958 of the fixed interest securities in the long run, because mortgages are a long-term investment.

Senator LEONARD: Liabilities of life insurance companies are payable in the same dollars, whether they go up or down.

Senator LAMBERT: I think the correctness of the attitude the witness has taken is borne out by the returns of the portfolios of most insurance company investments. Returns on real estate investment have been better than any others.

SENATOR McDONALD: You speak of satisfying a demand. Are there places today where perhaps they have gone a little too far and too many houses are being built, where they have gone beyond the demand?

Mr. BATES: I think that if you are thinking in terms of individual housing we have no evidence anywhere in the country that the increased volume is not being taken up. After all, we completed about 20,000 more houses in 1958 than in 1957, and at the end of the year the number of completed unsold houses had not risen. So, so far as individual units are concerned, that is single houses, there is no evidence anywhere in the country that we are in trouble. Even at the end of January we have got fewer unsold houses than we had in January last year, despite the fact that we completed 20,000 more. But if you are thinking of apartment houses in one or two centres, perhaps in some districts in Toronto and other areas, there has been a very substantial increase in apartment house building in the year 1958, as there was in 1954-1955. There seems to be some sort of cycle of housebuilding—I don't know whether it is related to the pig cycle, but it comes about every three years, up and down, and in the year 1958 there was a very large volume of apartment house units provided in some of our major centres,—Toronto and Montreal; and these may take some months to gestate probably to the point of having some of the insurance companies go a little easy on the amount of money they will put into apartment buildings in these centres in the first six months of 1959.

Senator McDONALD: In these centres you are worried about outside of Toronto, are these self-contained houses largely apartment houses?

Mr. BATES: You mean the new development areas?

Senator McDONALD: No, Malton.

Mr. BATES: No, those are primarily self-contained houses.

Senator BRUNT: As a matter of fact where you find vacant houses that have not been sold, they are in the class of \$20,000 up; and this does not apply to these houses?

Mr. BATES: No. I confess that when I am talking about housing I can't think of any mortgages beyond the N.H.A. mortgage, which is \$12,800. Anything above \$16,000 or something of that order I can't speak of, and if there are vacant houses they will be taken up later.

For the time being, it is envisaged that federal activity in this field will continue but, in so doing, it is most necessary to provide greater encouragement to increased private investment.

By increasing the amount of federal funds available to C.M.H.C. to one billion dollars, direct federal investment in N.H.A. mortgages can continue for some time. But we believe the time has come when we should utilize all sources of private investment to the full in the housing field. The initial source of housing investment should be private enterprise—although the federal Government has indicated that it will always be ready to act in its role of residual lender in time of need.

One of the aims of this amendment is to make N.H.A. mortgages as attractive as possible to private investors. Some lenders whose powers of investment extend to securities guaranteed by the Government of Canada have felt that N.H.A. insured loans did not fall into this category since the



insurance fund guaranteed 98 per cent and not 100 per cent of the face value of the mortgage. It is believed that by eliminating the two per cent reduction, the National Housing Act will permit trustees of pension funds, executors, trust companies and other private sources of investment to contribute to capital investment in housing.

When a private investor decides on the form of his investment, he has to consider two elements, each depending in part on the other. He first looks to the return and security of his investment. Then he looks to his ability to trade or hold the investment.

The 1954 act recognized the importance of liquidity of housing mortgages in encouraging investment in this field. The act permits the sale and purchase of insured loans, not only between approved lenders, but also to other corporate investors and to private individuals.

Senator CRERAR: That means that the risk is completely eliminated.

The CHAIRMAN: That is what a guarantee is supposed to do.

Senator CRERAR: What is the time usually required for foreclosure?

Mr. BATES: We have a legal expert here. I don't think you can foreclose in anything less than six months.

Senator HAIG: Three months.

Mr. BATES: They vary between provinces. I would not like to make a generalization, would you, Mr. Wilson?

Mr. A. D. WILSON: Alberta seems to be very slow at the moment; Ontario is very quick. Six months on a national average would probably be a short average. I think foreclosure would take longer than that on the average.

Senator HORNER: What about Saskatchewan? How long would it take there?

Mr. WILSON: Quite frankly we do not know at the moment about Saskatchewan. There have not been enough foreclosures of late to establish a period.

Senator HAIG: A lot depends on what kind of foreclosure you want. If you want to sell a house at a public auction you give 30 days' notice and you advertise for 30 days. If you want to get foreclosure, if the sale is abortive, you apply, in Manitoba anyway, to the registrar, and you have to wait for whatever period he tells you. It varies but generally it is about two months.

Senator ASELTINE: That is not the law in Saskatchewan.

Senator HAIG: Well, it is in Manitoba. You can take foreclosure in the courts at once, if you like. You generally give them six months to redeem but you can take foreclosure proceedings. In the case of an ordinary mortgage sale you give one month's notice and you advertise for one month and then the sale takes place about two weeks after that. If the sale is abortive the mortgagee can apply then to the registrar for an order making him the owner of the property. He submits all the evidence and the registrar says that the borrower must be informed again and he decides how much notice must be given. It is generally two months.

Mr. BATES: You appreciate, gentlemen, that the situation varies between provinces. In our experience we have had them as brief as a month and a half in Ontario and we have seen them go as long as two years. Of course, we do not enter the picture at all so far as an insured loan operation is concerned.

Senator BRUNT: Would you mind answering this question? It is probably set out in the act but you would have the answer at your finger tips. Supposing a borrower goes into default on his mortgage and goes to the approved lender and says there is no chance of catching his payments up. Supposing he says, "I would like to give you a quit claim deed and convey the property over to

you." In such circumstances would the guarantee still apply or do you have to have foreclosure in order to make use of the guarantee?

Mr. BATES: We have to have foreclosure before we appear in the picture at all. These relations may be going on all the time between borrowers and lenders.

Senator BRUNT: The quit claim deed will put the property back in the name of the lender, and you have exactly the same position as if you have foreclosure.

Mr. WILSON: I can say that the answer to Senator Brunt's question is yes.

Mr. BATES: You will appreciate that there is no use having a dog here and barking myself.

Senator BRUNT: I wanted to save a lot of study and I knew you would have the answer somewhere.

Mr. BATES: Senator Crerar, in reply to your last question about the insurance fund providing 100 per cent insurance so that this becomes almost the equivalent of a mortgage bond, there are some other costs, as one honourable senator from Ontario mentioned. But this is a fairly secure instrument. It begins to approximate a guaranteed federal mortgage bond.

Senator CRERAR: Quite. I have one other question. You guarantee by 100 per cent the payments. Do you keep supervision over this?

Mr. BATES: You mean the administration over the mortgage?

Senator CRERAR: Yes.

Mr. BATES: Under this amendment we in the C.M.H.C. would be given power to administer. At the present time when a loan is sold by an approved lender to a pension fund that approved lender invariably keeps the administration, and from our point of view administration is permissible only by an approved lender. In other words, it could not be administered by the pension fund itself. If we are going to guarantee 100 per cent we must be sure that the people who are administering these are proficient and know their business. In the 1954 act I think it came in originally that only approved lenders could administer these. Under this amendment the Government is asking on our behalf that we be given the same powers.

Senator CRERAR: What I had in mind is this. You have a loan guaranteed 100 per cent and the householder defaults on his taxes and they run into arrears and the property may be put for tax sale. Whose responsibility is it to see that that does not happen?

Mr. BATES: The administrator of the loan. You see, the current situation is that a demand is made by every approved lender, including ourselves, to bring in each month the tax payment as well as the principal and interest payments.

Senator GOUIN: One-twelfth.

Mr. BATES: This is so. In other words, a total parcel is brought forward each month. We are not in the same situation as in the thirties when it might have been six months before a principal and interest payment was made and twelve months before a tax payment was made. The whole thing is on a monthly basis now, so that both the tax and principal and interest payments are sought each month. If somebody falls behind in payment he falls behind in everything and you have to go after him for the total package. So the question of tax is not what it was twenty years ago.

Senator CRERAR: I was thinking what my position would be if I bought one of those houses.

The CHAIRMAN: Oh, you would be perfectly safe.

Mr. BATES: We would give you a loan.



Senator CRERAR: I would forget about it and if things got behind I would call upon Central Mortgage and Housing Corporation to make good their guarantee.

The CHAIRMAN: Don't answer that question, Mr. Bates.

Senator CRERAR: What I want to know is that as far as public interest is concerned, who is supposed to look after this?

Mr. BATES: This is the task of the approved lenders, the administrators. Judging from the history of the past few years—of course, these have been buoyant years—this problem has not been nearly so acute as it was before. We have had substantial unemployment in some territories in Canada but nevertheless foreclosures by the approved lenders in these years have been infinitesimal. To help keep the borrower going the approved lender will meet any borrower who gets into difficulty and try to work out some payment to carry him through his, say, three months of unemployment or what have you. But the monthly package deal has made it very much easier to live through the mortgage operation than was formerly the case, that is, both as to mortgage and tax payments.

Senator GOUIN: Do you have a certain maximum period of default, say, of three monthly instalments?

Mr. BATES: The pattern varies between the approved lenders and ourselves. We try at the end of the first month, if some one has fallen behind, to give him so many days, and then a letter goes to him, a reminder, that he has fallen behind. This is fairly general practice with all approved lenders. If at the end of the second month he has not come across, the pressure begins to increase; there is another reminder, but there is also a telephone call; because it is fairly generally accepted, I think, among all approved lenders that if your arrears begin to go beyond two months with many individuals, you are getting into trouble. In fact, you try as best you can to do something in the second month.

Senator HAIG: Hear, hear.

Mr. BATES: You try to bring him in the office and see what has happened, whether he has a sick wife or sick children, or is unemployed. We try some means of trying to get some token out of him in the third month. Last year, although we had in our operations some increase in arrears, we were able to keep them down to about a two month period. The third month begins to become critical, and you must get a grip, but you won't get a grip in three months if you have been slack in the second month, or you won't get a grip in the second month if you have been too slack in the first month. So it is a matter of trying to bring them forward to your offices some time in the second month to explain the problem and find out what it is, and see if some token system cannot be worked out. No approved lender I have met anywhere in Canada wants ever to foreclose. This is the very last thing they want to do.

Senator GOUIN: It is very unpleasant.

Mr. BATES: It is a very unpleasant activity.

Senator GOUIN: In Montreal the corporation follows very, very closely, but lately things have become a little more critical, Mr. Chairman. I cannot find an explanation.

Mr. BATES: A little more difficult; and a little more sympathy needed.

Senator GOUIN: To some extent.

Mr. BATES: If I may continue on page 4:

When a private investor decides on the form of his investment, he has to consider two elements, each depending in part on the other. He first looks

to the return and security of his investment. Then he looks to his ability to trade or hold the investment.

The 1954 Act recognized the importance of liquidity of housing mortgages in encouraging investment in this field. The Act permits the sale and purchase of insured loans, not only between approved lenders, but also to other corporate investors and to private individuals.

In the past few years a market in insured loans has grown up. Last year alone, some \$42 million of insured loans were sold. Since the 1954 Act was passed, mortgage transactions have amounted to nearly \$172 million. But until now, the source of insured mortgages for sale has been limited by the Act to approved lenders. A private investor wishing to buy an insured loan has only been able to get one if an approved lender was willing to sell. But experience has shown that some approved lenders have acquired their mortgage portfolios primarily for the purpose of holding them to maturity, rather than selling them.

This is true mainly of the life insurance and trust companies; they buy them primarily to hold them to maturity.

Other approved lenders have sold mortgages, but only infrequently. The Government feels, therefore, that more investors might be attracted to insured loans if there was a readily-available market for them, in which they might be bought and sold at frequent or regular intervals.

It also seems likely that the national growth—together with the accompanying development of Canadian investment sources—have created conditions which promise the establishment of a regular mortgage market. The existing and prospective portfolios—both of the approved lenders and of CMHC itself—have created a potential source of sellers. A source of buyers has been created in the development of substantial investment funds by pension funds, trade unions, loans associations and private individuals. Their investments in insured mortgages will augment those of the present approved lenders.

Senator BRUNT: May I ask a simple question here? Where a person purchases a mortgage from your organization and you continue to manage it, what do you charge for managing?

Mr. BATES: We have never sold one yet, senator. We are looking for some of the powers in here to give us the ease of selling. The only mortgage our corporation has sold has been to its own pension fund. In order to sell it to our own pension fund we had to sell it first to an approved lender, who in turn sold it back to the pension fund, and the approved lender became the administrator. The approved lenders have been charging fairly generally a rate of administration around one-half of one per cent. I suppose if we got into the field, the price is something that we would not want to initiate. We would rather want to follow the approved lenders in that operation.

Senator HORNER: On that point, in the case of a guaranteed mortgage, I presume the regulation would continue as to the management of the property, that the purchaser would still be under the National Housing regulation?

Mr. BATES: Whoever buys the mortgage is the man who holds the mortgage; he is not managing a property.

Senator HORNER: He is not managing the property, I see.

Mr. BATES: There is still an owner somewhere, presumably, managing the property. Where he is holding the mortgage on the property there is still an owner somewhere.

There is also the possibility that new institutions will come into being, institutions that will borrow money from the public—perhaps by debentures—and invest in insured mortgage loans. They would be able to buy mortgages



from either the approved lenders or the corporation without having to build up a staff to make or administer loans.

In other words, it is not impossible to envisage an institutional form in which, on the one side, a bond house in Canada sells debentures to the public, and a trust company allied with it, buys mortgages; the trust company administering the mortgage on the one side, the bond house selling debentures to the public, and the difference between the two rates of interest, the rate that one is getting on the insured mortgages, and the debenture rate on the other, yielding a profit for the two institutions. This is not the only kind of new institution. I am just mentioning in passing, gentlemen, that within our Canadian structure there is quite a variety of combinations of existing institutions that could come together to create this kind of institution that would lend to the public on debentures and would be backed by insured mortgages which are really 100 per cent Government guaranteed bonds going at the present day at 6 per cent.

Senator BRUNT: In trust?

Mr. BATES: This kind of institution, yes, sir.

Senator LAMBERT: Have you in mind any other countries where institutions of such a character as you speak are in existence today and operating?

Mr. BATES: Well, I think in Canada we will find a unique Canadian model growing, because we have a unique Canadian system I mean in the sense of having a set of commercial banks that are national in scope and with branch banks all across the country that are building up substantial portfolios of mortgages, and they want to see them liquid. We have a unique system of trust companies, we have a unique system of bond houses. There is nothing quite like this in the United States or in England, and the legislation we are asking for here is simply trying to provide enough flexibility for any of these groups to create any kind of institution they want. They can do it on their own in Canada, or with American counterparts, or with the banking system, with the trust companies, with the bond houses. There is enough flexibility in here for anyone to allow the purely Canadian structure to emerge, and we so far as Central Mortgage and Housing Corporation is concerned have been standing back, outside, to permit private enterprise through some of the agencies to create this institution. We have never recommended to the Government that we do what the Americans did. They set up a F.N.M.A. organization, although within our existing legislation there was some powers for CMHC to do that. We have recommended to the Government persistently that we stay out of that. We in Canada have a unique system and it won't take long for some of the instruments of private enterprise to emerge and create this market, and in this legislation we are recommending that the Government or the approved lenders could be available to help this market in the buying and selling of mortgages.

Senator LAMBERT: Such institutions have been developed in other countries as a result of the private enterprise you speak about.

Mr. BATES: There may be. The F.N.M.A. institution in the States buys and sells insured mortgages, and it is the closest to what we are considering, but it is a governmental agency and we are hopeful here that our financial structure will create its own agencies. We know the financial structure has been for some months past and is now very carefully considering what it might do from several points of view to create a secondary market for mortgages.

Senator LEONARD: What surprises me is in developing this secondary mortgage market that you have not extended the 100 per cent insurance to the existing mortgages. A person who is desirous of buying a mortgage, or an

institution that is looking for mortgages from you, will naturally want to wait, if they can, until they are able to buy a mortgage that is insured up to 100 per cent and that kind of mortgage will not be available until this legislation has been put through and some months will elapse before they are on the market, and if that 100 per cent insurance could be made available to existing mortgages that block of mortgages would be available for sale immediately, and furthermore there is inequity if a loss occurs on a 100 per cent insured mortgage it will be paid out of the insurance fund to which the existing mortgages have all paid their premium, that is to say the existing mortgages have all paid premiums that will apply to 100 per cent insured mortgages. I think it would be desirable from every standpoint, particularly from the point of view of getting new money into the mortgage market to make that 100 per cent insurance provision applicable to existing mortgages.

Mr. BATES: Well sir, outstanding today there is something like \$2.5 billion of insured mortgages. These loans were made by approved lenders with a 98 per cent guarantee. Why should anyone now give them 100 per cent guarantee. They have already put out the money, and a 100 per cent guarantee is not going to bring in any more money. The \$2.5 billion is there. What justification is there to give them a gift of 2 per cent.

Senator BRUNT: Just so that the approved lending institutions will sell more.

Mr. BATES: Let us be clear on this point. Of this \$2.5 billion of mortgages now outstanding a very substantial portion of them carry an interest rate of 5 per cent. Others carry a rate of 5.5 per cent, while others carry an interest rate of 6 per cent. Now, anyone who is going to sell a mortgage whether it is under the new system or under the existing one is not going to be able to sell a 5 per cent mortgage at the same price as a 6 per cent mortgage.

Senator BRUNT: I disagree with that. The term has a great deal to do with it. If the 5 per cent mortgage is for a short term it may appear very attractive to these new investors, it would be much more attractive than the 6 per cent loan having 25 years to run. I think the term is an important factor.

Mr. BATES: In Canada the commercial banks were issuing 5 per cent mortgages until three years ago. They cannot sell a 5 per cent mortgage at the same price as a 6 per cent one.

Senator BRUNT: How long ago is it since the insurance companies have been issuing 5 per cent mortgages? How long is it since the first 5 per cent mortgages were issued?

Mr. BATES: The act came into force in 1954. My recollection was that the rate of interest was 5.5 per cent, it fell down to 5 per cent and then it went back to 5.5 per cent and later went to 6 per cent. That has been the history of the interest rate. Insured mortgages have a maximum rate of 6 per cent.

Senator THORVALDSON: Is not the purpose of increasing the insurance on mortgages from 98 per cent to 100 per cent to give you more fluidity in the mortgage market, and so would you not get that fluidity to a greater extent if you applied the 100 per cent coverage to all your insured mortgages.

Mr. BATES: I am trying to make a point and I do not think it should be too difficult before the honourable senators, that if you sell a 6 per cent bond and a 5 per cent bond you are not going to get the same price for these if you sell them on the market.

Senator KINLEY: Under similar conditions, of course.

Mr. BATES: If you are going to sell them on the same day you cannot get the same price for the 5 per cent bond as you will for the 6 per cent bond.



Now, the variation in the price of a bond between 5 per cent and 6 per cent is not very much greater than the variation in price between a 98 per cent guarantee and a 100 per cent guarantee. That variation in price is built in. It is there. There are insured mortgages ranging all the way from 5 per cent to 6 per cent, and any holder of these who want to sell them has to sell them in the market and he will sell them at the going price and the final yields won't be very different—there will be discounts and premiums when this market is established. These variations are already present. The difference between a 5 per cent and a 6 per cent return is 20 per cent of a variation. The variation in yield is very much greater than that.

Senator LEONARD: My point is, if you are really interested in developing fluidity in the sale of mortgages, whether I have a 5 per cent mortgage or a 6 per cent mortgage is immaterial and you can realize that I may have to sell my 5 per cent mortgage at a price less than the 6 per cent mortgage.

But my premium has gone into the mortgage fund, and is there to pay the 100 per cent losses on mortgages that will be made from now on. I think in equity the same fund should protect the two mortgages on the same basis; plus the fact, as Senator Thorvaldson has said, you really want to increase the fluidity of mortgages by this legislation; you really have to wait six months or more until new mortgages come into the market under the 100 per cent insurance scheme.

Senator HAIG: May I ask one question? If there is now  $2\frac{1}{2}$  million out in guaranteed mortgage, and we want to allow an additional 2 per cent, does that mean we would have to put up another \$50 million?

Mr. BATES: Yes.

Senator LEONARD: Nothing more would have to be put up.

Senator HAIG: We would have to put up \$50 million.

Mr. BATES: In the event of foreclosures.

Senator HAIG: Yes, in the event of foreclosures. If we raise this guarantee we will have to put up \$50 million.

Mr. BATES: The only point I am making is that the difference between the 98 per cent and the 100 per cent is a very small difference between the price as it exists in the market, as between 5 per cent and 6 per cent. It is a price differential, and it will exist.

Senator BRUNT: Mr. Bates, is it not so that you want the 100 per cent guarantee because mortgages will see more readily; that is to say, these institutions that have the mortgages, or will be taking the mortgages, will be able to sell them more readily? Every mortgage that sell means that you will have that much more money to put out into mortgages. Why not make it apply to the whole thing, and make them all more readily saleable?

The CHAIRMAN: By leaving some at 98 per cent and some at 100 per cent, with various prices and various maturities, you have different kinds of merchandise on your shelves for different customers.

Mr. BATES: Presumably we will have lots of new merchandise. The banks and insurance companies are lending up to \$500 or \$600 million a year; by the end of the year there will be a substantial volume of this 100 per cent guaranteed stuff.

However, this is a matter of Government policy, and I don't think I should be trying to defend the 98 per cent against the 100 per cent. It did not require a special gift—it was already there.

The CHAIRMAN: If you run into the problem of developing fluidity, you can meet that situation when it comes.



Senator THORVALDSON: Perhaps the Government has not considered the point . . .

Mr. BATES: The point was very carefully considered. It was not a blind spot—a decision was made.

Returning to page 5 of my prepared presentation: This would permit small investors to contribute funds to the housing industry, which is something they have been unable to do in the past. You will recall that earlier I said that if \$500 debentures were sold with assets being insured mortgages, people with small amounts of money could thereby buy into insured mortgages, which they cannot do today. If you want to buy an insured mortgage today you would have to go to a bank, and they would probably offer you a \$8,000 or \$10,000 proposition. The new machinery which we have been discussing would provide bonds of \$500 so that the small investor would be able to get into insured mortgages. In this way, the small investors would be able to play a more important role in upholding the general economy of the country. You will see I am prejudiced: I believe if the housing economy is good the general economy of the country is good.

C.M.H.C., because of its extensive direct lending operations during the last 18 months, is developing a substantial mortgage portfolio. These mortgages would be made available for sale to investors who are willing to invest in the housing field, but who are unable to make loans themselves. The amendment proposed to the Act will permit C.M.H.C. to sell its loans to such private investors. If the investor is not an approved lender equipped to administer the loan, the amendment will permit the Corporation to administer the loan for the investor in the same way as if it had kept the loan in its own portfolio.

In short, the amendment to the Act will give the Corporation the same powers as the approved lenders have. If Canada develops a secondary mortgage market it seems likely that C.M.H.C. may be required both to buy and sell mortgages as the need arises. Probably it would also assist in transferring mortgages from one type of lender to another should economic or other factors adversely affect fluidity within the mortgage market. For this reason it is proposed to remove the \$25 million limit on the Corporation's power to purchase mortgages.

Senator GOUIN: There is no limit?

Mr. BATES: No limit.

I would like honourable senators to appreciate that by the amendment as such, C.M.H.C. has power to buy and sell mortgages. If there is any illusion in your minds that C.M.H.C. is proposing to engage in open market operations, let me say this is not so—it cannot be done under the legislation. We have a statutory vote, not a revolving vote. At this moment it is \$750 million, of which we have already committed, up to last Friday, \$681 million. This legislation is asking for an additional \$250 million, to bring the statutory vote up to \$1 billion.

With the statutory vote the moment we sell a mortgage in our possession, we have to pay that sum back to the Receiver General; we cannot bring it into the total vote and use it for making new loans. Each time we sell a mortgage—if we get into the selling of mortgages—it simply reduces our statutory vote by that amount. So, we cannot engage in open market operations. If this were not done by a statutory vote, then C.M.H.C. would be in danger of becoming the leading mortgage house in the Canadian market. But by the statutory vote we cannot bring back into the fund and re-lend; each time we make a loan or each time we sell a mortgage we cut down what is available to us for further activity. This does not mean that we should not make sales; presumably, if sales can be made, we should make them.

If this pulls down our statutory vote where we can no longer operate, we go back to Parliament next year and say that our statutory vote no longer permits us to carry on; we have \$500 million-worth of mortgages, and we have only \$50 million to keep us going for another six months. Do you want to keep us going for six months or not. Then, the decision is up to Parliament.

I have heard from some of my colleagues in trust and loan companies, when they look at this section of the act which gives C.M.H.C. power to buy and sell, the thought that it puts us into the business of engaging in open market operations. This I hope never to have to deal with in my life, namely, dealing in substantial open market operations from a central Crown corporation. This would be a most difficult and undesirable situation to be put in.

Senator THORVALDSON: Mr. Bates, I was coming to a question on that point, which I think might be clarified now. I did not know this to be the situation, and I was wondering if honourable senators are aware of the fact with respect to re-payment of principal. Do you not think you should explain the fact that when principal is paid on a mortgage, or on your overall portfolio, that that principal does not go to you, but goes through you back to the Receiver General?

Mr. BATES: I think honourable senators are probably aware of how we draw down funds. We have, as you know, a statutory fund which a few years ago was only \$250 million. We draw down funds from the treasury in debenture units of \$500,000 each. Twice a year the Treasury tells us what rate of interest we have to pay for the next six months. They do that on the first of October and the first of April; according to broad Government powers in bond interest we are given the rate of interest for six months, and we draw down on debentures \$500,000 units. We are making loans for given periods; it may be 40, 50 years; we have a pretty good idea of how this is going to come back to us in principal and interest. If it is a loan to a home owner it is probably 25 years. It may be less; a home owner may twist out of it in five years, through a lower rate of interest, if he can get it, or repay it in 15 years. But we have worked out with the Treasury a system of repayment on each loan so that each of us knows precisely what we have to pay back to the Treasury month by month from now to the year 1975. This is set out in the arrangement between us. If during this time funds come in to us faster than we expected, if people pay off loans, then the Treasury will permit us to pay off our loans just as fast as they come in to us. So we are tied tightly by the neck in this whole operation. We have a statutory vote for a determined period of time during which these loans must be paid on a monthly basis, these \$500,000 debentures. If funds come in faster we can repay faster. So that we have no freedom to engage in open market operations—no freedom whatever. At this moment we have committed \$681 million out of our present vote of \$750 million. This means we have got about \$60 million left. There is nothing we can do with that \$681 million. If we were to sell \$100 million worth of mortgages the funds would go back automatically into the Treasury. We could not relend. All we can lend at this moment is the difference between the \$681 million we have already committed and our \$750 million. That is the extent of our future. The moment that that \$750 million is committed we are out of business. There is nothing else we can do about it. This is one reason, of course, why this present legislation is asking for another \$250 million, to keep us going for another period. I agree that it is a little frightening to look at the vote of a billion dollars in C.H.M.C., but it is not nearly so frightening when you realize that this is a statutory vote being repaid, which we have no power to manipulate except with respect to the uncommitted balance, and indeed, none in respect of that because, as you know, in everything we do we have to follow Government policy.



Senator McKEEN: Will you tell us how much has been repaid of the total amount?

Mr. BATES: You will understand that in so far as the 1954 act goes the amounts of repayment are still quite small. We repaid in all—and this includes some of the earlier acts we had loans on—something like \$45 million. But we set out, in 1956 I think it was, with the Treasury monthly repayment procedures that we should use in the future. I confess that when I came to the corporation I found that some of the incoming funds were being re-lent. This seemed to me undesirable; and this is when we worked out with the Treasury a system in which there would be no relending on the part of the corporation; everything that came in would move back automatically, and there would be a clear statutory vote approved by Parliament, and when we began to run out of the vote we might have to go through the exercise I have been going through; that is, I appear at the Senate or the House of Commons every six months looking for more money. This is, I think, the proper way.

Senator McKEEN: Is that not against the act, as you explained it, if this money is used to relend?

Mr. BATES: This was not too clear. It was 20-year debentures, and there was worked out an agreement between the Treasury and ourselves as to how these debentures would be repaid, and when.

Senator BAIRD: Since 1956.

Mr. BATES: Since 1956.

The addition of subsection 8 (a) to the first section of the bill permits C.M.H.C. to administer an insured loan. This will most likely happen where the corporation sells mortgages to approved lenders who do not want to expand their mortgage departments, or to other investors who do not handle mortgage portfolios. The approved lenders already are permitted to administer the loans which they have sold. But since, before this amendment, only the approved lenders could administer insured loans, some slight changes in wording are necessary to permit the corporation to administer its growing volume of mortgages. Subsection (1) of clause 2 of the bill, the change in subsection (3) of clause 11 and clause 5 of the bill are all examples of this type of change.

You will appreciate that, because of the heavy Government investment in housing, in the last 18 months, C.M.H.C.'s portfolio of loans has been growing rapidly. At the end of December last we had something like \$150 million worth of these papers. By June there will be another \$160 million worth; by the end of the year, another \$70 million. In other words, by the end of this calendar year C.M.H.C. may have \$400 million or \$450 million of mortgage paper. We don't know just how much we are going to get, because you will recall that in the first \$150 million we used the banks and insurance companies as our agents, and we gave them the right to buy the mortgages for 13 months afterwards if they wanted to. That right began in January, so actually for the next 13 months we are not sure how many of the original mortgages we put out a year and a half ago will come to us, or how many the banks and insurance companies will hold, but there will be something over \$400 million worth in our portfolio; and this increases the desirability of our being able to sell and administer. If we always have to sell through an approved lender it means another payment to be made by the pension fund or the buyer or whoever it is. That is the reason for this clause,—to give us the same rights with respect to these mortgages as approved lenders have.

Subclause (2) of clause 2 of the bill increases to \$150 from \$125 the amount allowed in calculating the payment to an approved lender who has made a claim on the insurance fund. The basic purpose of the insurance feature of the act is to protect the lenders against loss in such a case, and experience has shown that the legal costs generally exceed the \$125 previously allowed. These

are the legal costs allowed. \$125 is very modest and \$150 is not exorbitant by any means.

Senator GOUIN: This is just the legal fee?

Mr. BATES: Yes.

Senator GOUIN: What about out-of-pocket disbursements?

Mr. WILSON: Out-of-pocket disbursements would be allowed over and above this fee.

Senator HORNER: Is there any competition amongst the legal men?

Senator BRUNT: We have never been investigated under the Combines Act.

Mr. BATES: We have run into quite a variety of costs with respect to foreclosures under the act. We ran into one case that cost \$1,353. I will let you guess what province that was in. I have the average costs if you are interested in them.

Senator LEONARD: Do these include disbursements?

Mr. BATES: No, just the fees. They are \$203, \$117, \$109, \$202, \$225, \$526, \$1,353, \$108, \$290, \$165, \$219, and \$200.

Senator HAIG: Are those foreclosures?

Mr. BATES: These are the legal acquisition costs. So the raising of the fee from \$125 to \$150 certainly does not meet the request made by the approved lenders. They had a much higher figure in mind, as you might imagine, but this is perhaps a step in the right direction.

Clause 3 of the Bill amends the loss settlement provision of the insurance by eliminating the 2 per cent discount on loans which are made after this amendment comes into force. The amendment means that an investor will receive the full amount of the mortgage account—including interest—at the mortgage rate for six months after a default has occurred.

The change introduced by Clause 4 of the Bill to subsection (2) of Section 11 widens the potential field of purchasers of insured loans from the Corporation. Before this amendment CMHC could only sell insured loans to the approved lenders. With the change, however, we hope the Corporation will be able to expand its mortgage transaction business into new markets, and consequently increase—rather than divert—the private funds available for new housing.

Senator McKEEN: May I ask a question at this point? It says here that the mortgage will be insured, including the interest. How long can a person let the interest go and still have it insured?

Mr. WILSON: The mortgage rate is six months and then there is a reduction in the interest allowance. Section 9 of the original act establishes the interest allowances. It is the full mortgage rate for the first six months and then the next 12 months it is the mortgage rate less 2 per cent.

Mr. BATES: The amendment in Clause 6 of the Bill increases the amount of money which may be loaned to CMHC out of the Consolidated Revenue Fund. CMHC will use this money to continue making direct loans for rental housing for low-income families, and also to home-owners where loans are not available from approved lenders.

The maximum amount allowed by the 1954 Act and subsequent amendments for this purpose was \$750,000,000. By the end of 1958, CMHC had committed \$662 million in loans out of these funds, so that, in effect, the amendment—by raising the limit to \$1 billion—provides \$338 million for the Corporation to carry out its operations.

This same clause also removes the previous limit of \$25 million—included in the amount from the Consolidated Revenue Fund—which the Corporation might use to buy loans. This will permit CMHC to introduce Federal funds into the housing field whenever necessary, either by making direct loans or



by buying loans made by approved lenders. As I mentioned earlier purchase of loans by CMHC may also be used to induce fluidity in the mortgage market, and this would be an indirect influence on increasing new investment in housing.

From a general point of view, you can see the changes in the Bill are all designed to increase the volume and rate of flow of funds into new housing, for which the demand continues to be high. They assist not only in achieving the primary objective of the National Housing Act—to make home ownership possible for families of moderate incomes—but also, to a large extent, in stimulating capital investment.

Senator HORNER: Are you still optimistic about the housing need in Canada for the future?

Mr. BATES: Do you mean for the year 1959?

Senator HORNER: Yes. Last year you gave us a picture which showed that housing would be needed in this country for the next 10 years, and so on.

Mr. BATES: We had, as you know, a very large starting program in the year 1958. When I appeared before this committee last July I mentioned that the rate of starts running that month amounted to 180,000. Other people were forecasting 140,000 and we thought the truth might be somewhere in between. I did not realize we would forecast so accurately. We started 164,000 houses. I doubt that we will start so many housing units and apartment units in 1959. In the last few weeks we visited all the approved lenders, the banks and insurance companies, and they suggest that even with the present rates of interest they will do about the same amount of business as they did last year. So we should expect a very substantial program in 1959 although perhaps not so large a one as last year, which was by far a record. But we will have, I think, as good a year as we had the year before. Thirty-eight per cent of our total population is at school. This is a phenomenal proportion. I do not know of any other country in the world where children under 18 at school represent 38 per cent of the total population of the country. This is a fantastic proportion. Eventually those children will be coming out of school in substantial numbers, say, by 1960 or 1961, and we must house them. There are enough of them to double the housing stock by 1975. So we do not have to depend on immigrants. The people are here in the schools now, 6 million of them under 18 years of age.

Senator McDONALD: Are there 30,000 unsold houses now?

Mr. BATES: Three thousand.

Senator REID: There has been considerable activity in the Vancouver and Fraser Valley area by interests who have formed themselves into huge private building companies. They have bought extensive pieces of land and are now selling homes at a down-payment price of \$250. My question is this. Has this great activity of building by these companies resulted in a curtailed demand for C.M.H.C. houses?

Mr. BATES: I do not know of any local condition there that has affected us particularly. There has been a little more building in the Surrey area, perhaps, than can be digested in the next few months but I think our people on the coast do not feel in any way particularly pessimistic about it. But there is a little bit of indigestion in the Surrey area at this time.

Senator ISNOR: Mr. Chairman, I think all members of the Finance Committee should be exceptionally well pleased at the outcome of their report of last year. What I have in mind, after listening to the sponsor of the bill in the house yesterday and to Mr. Bates today, is whether the increased number of units started or the sales made is largely due to the recommendation made in the report of our committee to inaugurate a selling plan and send out C.M.H.C.



agents throughout the whole country to encourage the building of homes. Would that be a fair statement?

Mr. BATES: Yes, Senator Isnor. When I opened this statement today I was trying to carry forward from your activities last summer. I think the progress that we have made was to quite a large extent resulting from the review which you made. After all, you spent nine years on this, and it is a very useful thing for any public servant—I don't care which department it is—to have a group of senators like yourselves study some particular aspect of the public life with which that public servant is concerned, and to come up with a report of this kind. It was not perhaps very, very far away from some of our own thinking. We got additional ideas, and we have tried in some kind of way to carry them forward as you had suggested. I did start, Senator Isnor, by saying this was the most comprehensive report we have heard on housing, and we have used it in this way for the past eight months.

Senator ISNOR: My other point is, that on page 2 of your brief you state that during 1958, 28,669 units were started, and you give the amount of money; plus 3,271 units of the lower type. That means that there were 31,940 units started, largely due to your effort in sending out your selling agents?

Mr. BATES: Yes, that and the design of the small homes. In other words, we had in 1958 a greater concentration towards the lower end of the income scale than we had been having in the previous few years.

Senator ISNOR: And that was the first year you sent out selling agents?

Mr. BATES: That is so.

Senator WALL: Apropos this same point concerning 28,669 small homes, plus the 3,271 direct loans, I calculate that the average loan on these small homes is between \$10,600 and \$10,700. The differential between the small home loan made and the actual cost of a home is roughly \$3,500—I would say \$3,000—where these small homes by definition are averaging about \$14,000. Have we a breakdown of these small homes into the price category, and the relationship between those and the incomes of the people who bought those homes? That would be interesting to me.

Mr. BATES: I haven't that here. I think honourable senators will recall that when you get into an area like Toronto, or the suburbs of Toronto, in which a large proportion of these small homes were built, you are building on land that cost \$4,500, and this is what pushes you into a price that is high. For small homes, Senator Wall, the under \$5,000 income group, the average cost \$12,700. The ordinary NHA home for the same income group was \$13,300. In other words, there is a difference of \$600 in the average cost of the home—remembering again how you get this average distorted by a metropolitan area like Toronto, where nearly 40 per cent of the total building in Canada is going on.

Senator WALL: I appreciate the statistical difficulties of an average figure, but what I was trying to get at is, have we any tabulation of these 28,000 homes, for example, their various price ranges, and then the incomes of the people who picked up these homes?

Mr. BATES: We have all of that. I do not think we have it broken down.

Senator WALL: I would be very interested in getting that some time.

Mr. BATES: I would be very glad if you or any other senators would like to see it; it merely means getting the information.

The CHAIRMAN: I suggest that a statement of this information be prepared and appended to the report of the proceedings for today.

Senator ISNOR: Are you going to print them?

The CHAIRMAN: Yes. By the way, we need a motion to have printed the usual 800 copies in English, and 200 in French.

Senator HAIG: I so move.

Senator ASELTINE: I second the motion.

(Motion carried)

Senator CRERAR: I have two questions, and they will be the last, Mr. Chairman. Mr. Bates, I take it that we are nearing, in your judgment, the saturation point of building houses?

Mr. BATES: No. I think, senator, that all one can say is that we have 6 million children under 18 in this country out of 17 million people. They are beginning to leave school; employment has to be found for them, and housing has to be found for them.

Senator CRERAR: Not necessarily all new houses, though?

Mr. BATES: Not necessarily. Some of us will die, and some houses will be turned over; but the fact remains that we have quite a low marriage age group; the marriage age is continuing to fall, and is still falling. Even I, senator, will be a grandfather next month. So long as we have so substantial a proportion of our population under 18, means must be found, capital must be found, to put them into secondary industry, primary industry, and into houses. I said to one of your colleagues, sir, that I think the year 1959 will not see quite so many houses built as in the year 1958, but I would expect by 1961 it will change, because the substantial birth rate began to rise in 1941. Women are marrying at 21 now, so by 1961 this tremendous bulge that we have got will increase. It is a bigger bulge than the American or the British. The British have only 25 per cent of the population under 18, while the Americans have, I think, 32 or 33 per cent. We have 38 per cent, so we have to pay some kind of price, senator, for our fertility over the last 20 years.

Senator KINLEY: We have the baby bonus now.

The CHAIRMAN: Senator Crerar?

Senator CRERAR: I have been very patient, Mr. Chairman.

The CHAIRMAN: You are always patient.

Senator CRERAR: Is the rather extensive programme of building houses having any effect on the value of houses, say 20 or 25 years old that are still there?

Mr. BATES: Practically no evidence whatever yet in any city of Canada. I mean, you take as evidence some indication that rents or house prices will begin to fall among older houses. This will be a sign that you are beginning to saturate the market with new houses; but there is no evidence of rents sagging; some are holding, and various rentals have gone up in the last year. They may give you one rent free for a month if you take a contract for two years, but there is no suggestion of a sagging in rents or any decline in house values; and this would be an indicator, but this indicator has not yet shown itself, and with the 6 millions at schools, maybe it is not going to show itself.

Senator CRERAR: That depends a good deal on what economic conditions will be in the next ten years.

Mr. BATES: That is why I made the point substantially there had to be capital to put that into industry as well as into housing.

The CHAIRMAN: Shall we consider the bill section by section or is the committee satisfied to approve the bill in the form in which we have it?

Senator WALL: Mr. Chairman, I wonder if I could make a last minute plea for the idea of making some change in the act, or an amendment, or probably it can be done under the terms and conditions arrived at by the Governor in

Council, to still make it possible for some of this \$250 million, and I suggested yesterday \$25 million go into the building of university student dormitories.

Senator HAIG: Let us have a vote on that right now.

Senator CRERAR: Oh, forget about that.

Senator WALL: I cannot forget about it.

The CHAIRMAN: Is there a motion before the committee?

Senator WALL: Well, Mr. Chairman, I am prepared to make the suggestion into a motion but it is just a general suggestion that I am about to make.

The CHAIRMAN: As a general suggestion I am sure Mr. Bates will bring it to the attention of the Government.

Senator PRATT: Mr. Chairman, I would like to hear Mr. Bates's opinion on the implications of that as affecting the policies and the administration of Central Mortgage and Housing Corporation.

The CHAIRMAN: That point has already been covered in this brief which Mr. Bates read. It is on the top of the second page of the brief. We have already dealt with it.

Senator WALL: That is an expression of Government policy?

Senator McKEEN: Mr. Chairman, the question was raised as to whether this 100 per cent guarantee should be made effective retroactively to those mortgages which are already in effect with the 98 per cent guarantee. If this were done a lot of money would be made available for new housing. Now I do not know whether this committee can make an amendment of that nature or not.

Senator HAIG: It cannot be done.

Senator ASELTINE: That would be for the Ways and Means Committee to consider.

Senator WALL: Mr. Chairman, in view of the statement on the top of page 2 of Mr. Bates's brief I do not think that he should be asked to give any expression of opinion on student dormitories.

The CHAIRMAN: Senator McKeen has raised a question. Mr. Bates, would the result of extending this 100 per cent guarantee retroactively to all mortgages outstanding with a 98 per cent guarantee have the effect of increasing or possibly increasing the charges on public funds that are made available for purposes of your corporation?

Mr. BATES: To make this retroactive increases the risk by about \$45 million. In other words just by about the amount of the present fund. Now this risk may never occur, but that is what it means—it means taking on an additional risk of \$45 million.

The CHAIRMAN: In other words you are putting additional funds at risk?

Senator KINLEY: What good would come out of it if you did so?

The CHAIRMAN: I am getting this information for the purpose of answering Senator McKeen's question. I would think in these circumstances we would not have the power to do other than recommend that, that we could not actually do it as a matter of law if we are putting at risk additional Government funds.

Senator McKEEN: If that is right then there is no purpose of making such an amendment.

Senator POWER: It could be done by stating it as a recommendation of this committee.

Senator McKEEN: Then, Mr. Chairman, I move that we make a recommendation to that effect.



Senator HAIG: Mr. Chairman, I think we should be very, very careful in this. The Government has stated where their stand is on certain questions, and I think that in the present state of public opinion that if we were to recommend a \$45 million increase, because that is what it means, the people would not take to it. Already these mortgages are guaranteed up to a 98 per cent figure. Now, I would like to have somebody come forward and guarantee to par some of the bonds that I bought sometime ago and are below par. Personally I do not think we have the power at all to do it. We are making recommendations just to make trouble. And if we want to make trouble for the Government let us go ahead and do it, but the Government can take care of itself.

The CHAIRMAN: Senator Haig, if a member presents a motion to this committee to amend, and the motion is in order, I have to submit it to the committee. I am waiting for the motion.

Senator HAIG: I thought you had the motion.

Senator MCKEEN: Mr. Chairman, I understood Mr. Bates to say that \$45 million is set aside for insurance against some \$2.5 billion of mortgages. Well, I cannot see how 2 per cent more of an increase is going to raise it \$45 million more. My motion is that we recommend that the Government consider making the 100 per cent guarantee available to all insured mortgages under the National Housing Act, retroactively. Now, that is not an amendment to this bill, it is just a suggestion that we incorporate that in our report.

Senator HORNER: Mr. Chairman, I am opposed to it. I think it is not appropriate and I do not want to be identified with it at all.

The CHAIRMAN: Those in favour of the motion?

Senator HAIG: Before you put the motion, Mr. Chairman, we have had three or four discussions about it, and some of us who are opposed to this motion have not had permission to say anything about it. I think we should have permission to do so before you put the vote.

The CHAIRMAN: Senator Haig have you anything more to say?

Senator HAIG: I thought you said I was out of order.

The CHAIRMAN: No, I thought you had finished. You made quite a speech a minute ago.

Senator HAIG: Yes, but you were the only one who was listening.

The CHAIRMAN: Well, it is in the printed record.

Is the committee ready for the question? Those in favour. Against.

I declare the motion lost.

Is it the wish of the committee that we do not consider the bill section by section but that a motion is in order to approve the bill as it is?

Senator BURCHILL: I so move, Mr. Chairman.

The CHAIRMAN: Those in favour that I report the bill without amendments. Motion agreed to.

Senator HAIG: Mr. Chairman, I would like to move a vote of thanks to the President of the Central Mortgage and Housing Corporation, Mr. Stewart Bates, and I would like to thank his delegation for coming here and may I say that it was very kind of him to make such a fine expression of thanks to the Finance Committee for the report that was made at the last session.

The committee adjourned.

## SMALL HOME LOANS PROGRAMME OF THE NATIONAL HOUSING ACT, 1958

## INCOMES OF PURCHASERS

| Applicants Income    | Number of Purchasers | Per Cent |
|----------------------|----------------------|----------|
| \$                   |                      |          |
| Under 2,000.....     | 1                    | —        |
| 2,000-2,999.....     | 40                   | 0.3      |
| 3,000-3,999.....     | 1,899                | 12.8     |
| 4,000-4,999.....     | 6,049                | 40.7     |
| 5,000-5,999.....     | 3,596                | 24.2     |
| 6,000-6,999.....     | 1,788                | 12.0     |
| 7,000-7,999.....     | 729                  | 4.9      |
| 8,000-8,999.....     | 324                  | 2.2      |
| 9,000-9,999.....     | 161                  | 1.1      |
| 10,000 and Over..... | 276                  | 1.8      |
| TOTAL.....           | 14,863               | 100.0    |

## PRICES OF DWELLINGS

| Price                | Number of Dwellings | Per Cent |
|----------------------|---------------------|----------|
| \$                   |                     |          |
| Under 7,000.....     | 1                   | —        |
| 7,000- 7,999.....    | 2                   | —        |
| 8,000- 8,999.....    | 29                  | 0.2      |
| 9,000- 9,999.....    | 237                 | 1.6      |
| 10,000-10,999.....   | 819                 | 5.5      |
| 11,000-11,999.....   | 1,920               | 12.9     |
| 12,000-12,999.....   | 3,610               | 24.3     |
| 13,000-13,999.....   | 3,018               | 20.3     |
| 14,000-14,999.....   | 2,688               | 18.1     |
| 15,000-15,999.....   | 1,666               | 11.2     |
| 16,000 and Over..... | 873                 | 5.9      |
| TOTAL.....           | 14,863              | 100.0    |

## SIZES OF DWELLINGS

| Floor Area—Square Feet | Number of Dwellings | Per Cent |
|------------------------|---------------------|----------|
| Under 800.....         | 106                 | 0.5      |
| 800- 849.....          | 186                 | 0.9      |
| 850- 899.....          | 554                 | 2.6      |
| 900- 949.....          | 1,753               | 8.1      |
| 950- 999.....          | 2,079               | 9.6      |
| 1,000-1,049.....       | 8,403               | 38.9     |
| 1,050-1,099.....       | 6,154               | 28.5     |
| 1,100 and Over.....    | 2,340               | 10.9     |
| TOTAL.....             | 21,575              | 100.0    |

## EXPLANATORY NOTE

"Of the 28,669 dwelling units for which loans were approved under the Small Home Loans programme, 26,000 were for single-family and duplex dwellings, the remainder being apartments. Data are presented in the tables above on the sizes of the single-family dwellings.

Prices and income data relate to sales of dwellings by builders in 1958 whether the loans were approved in 1957 or 1958. This is the main reason for the difference in the total of these tables as compared with the table on dwelling sizes."

(The foregoing statistics are tabled at the request of the Hon. Senator W. M. Wall.)





